



# MICHIGAN ECONOMIC UPDATE

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Bureau of Tax and Economic Policy  
Michigan Department of Treasury  
<http://www.michigan.gov/treasury>

## February 2005 Summary

**U.S. Economy:** In February, U.S. economic indicators pointed to continued growth. Both the ISM manufacturing index and the non-manufacturing index continued to signal growth. The index of leading economic indicators rose slightly, marking the third increase in four months. Consumer sentiment fell for the second straight month. Industrial production rose for the fifth straight month. Retail sales rose for the sixth straight month. Housing starts rose for the third straight month.

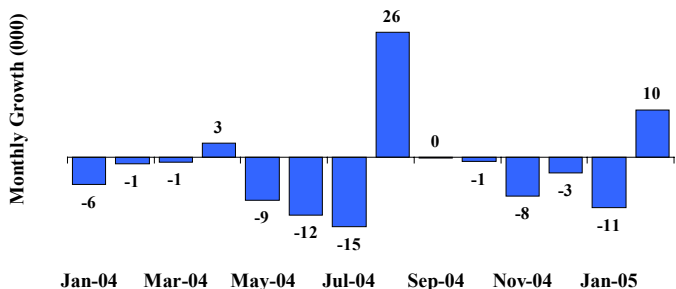
**Employment:** In February, Michigan's wage and salary employment increased by 10,000 jobs led by an increase in transportation equipment employment. Michigan's unemployment rate rose 0.5 percentage points to 7.5 percent as the state's labor force increased sharply. Nationally, payroll employment rose by 262,000. The average workweek remained unchanged at 33.7 hours. The average hourly wage also remained unchanged. The U.S. unemployment rate rose 0.2 percentage points to 5.4 percent.

**Auto Industry:** February light vehicle sales rose slightly to a 16.3 million unit annual rate. Compared to a year ago, the three-month average of state vehicle production fell 0.4 percent compared with a 0.5 percent nationally. Light vehicle inventories were up 0.8 percent from a year ago; days supply increased by 2 days to 78 days

**Inflation:** In February, the U.S. consumer price index rose 3.0 percent from a year ago, while the Detroit CPI increased 2.4 percent. Producer prices rose by 4.7 percent.

**Michigan Metro Areas:** From a year ago, the February unemployment rate rose in 12 of Michigan's 17 labor market areas, fell in three areas and was unchanged in the other two areas.

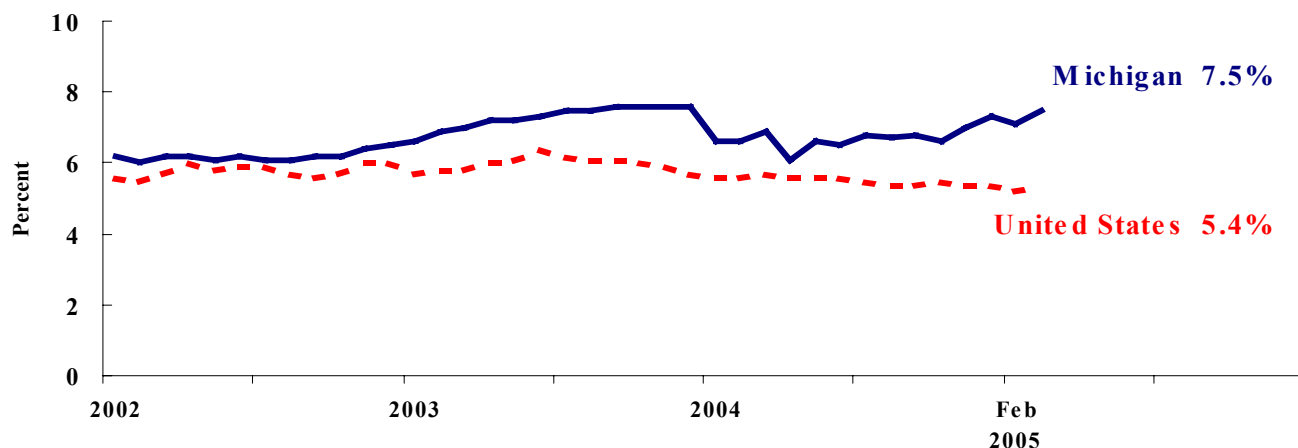
### Michigan Employment Increases In February <sup>(a)</sup>



## Labor Market Statistics

- Michigan's February monthly unemployment rate increased 0.4 percentage points to 7.5 percent. The current Michigan jobless rate is 0.5 percentage points above a year ago. The February U.S. unemployment rate increased 0.2 percentage points to 5.4 percent and was 0.2 percentage points lower compared to a year ago. Monthly unemployment rates fluctuate due to statistical sampling errors and data revisions.

### Michigan and U.S. Monthly Unemployment Rates 2002 to 2005



Source: Michigan Dept. of Labor and Economic Growth and Bureau of Labor Statistics, U.S. Dept. of Labor

- The number of people employed in Michigan was 4,730,000 in February, up 2,000 from last month, while the labor force increased by 24,000. Therefore, the statewide total number of unemployed rose by 22,000 to 381,000.
- United States household employment totaled 140.1 million persons in February, down 97,000 from January. The labor force rose by 153,000 from last month, which meant that there were 251,000 more unemployed people nationally, compared to January.

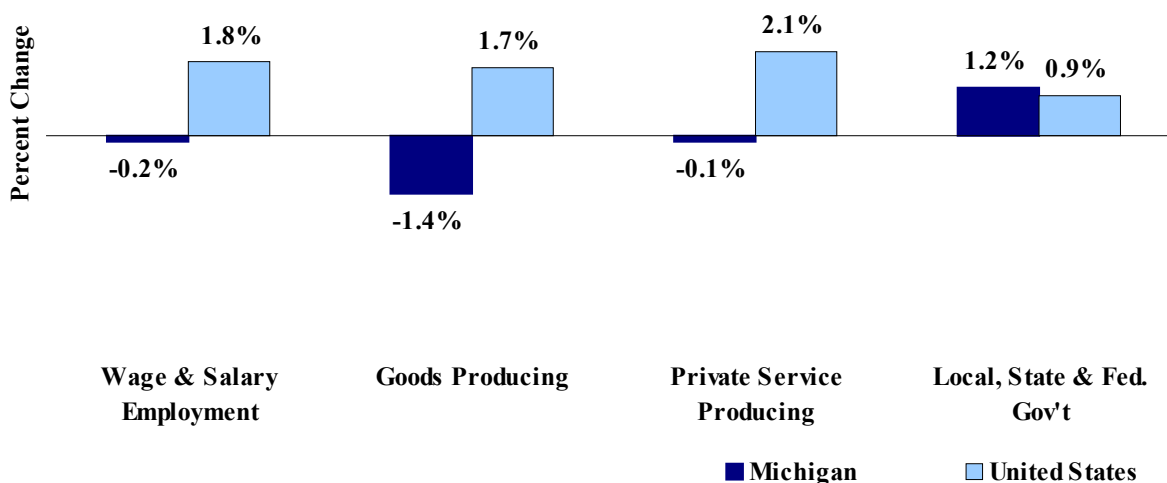
### Employment by Place of Residence (in thousands)<sup>(a)</sup>

	2004 Average	Dec 2004	Jan 2005	Feb 2005	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	5,079	5,093	5,087	5,111	24	0.5%	44	0.9%
Employed	4,719	4,708	4,728	4,730	2	0.0%	17	0.4%
Unemployed	360	384	359	381	22	6.1%	26	7.3%
Unemployment Rate	7.1%	7.5%	7.1%	7.5%	n.a.	0.4% pts	n.a.	0.5%
United States								
Labor Force	147,401	148,203	147,979	148,132	153	0.1%	1,661	1.1%
Employed	139,252	140,156	140,241	140,144	-97	-0.1%	1,843	1.3%
Unemployed	8,149	8,047	7,737	7,988	251	3.2%	-182	-2.2%
Unemployment Rate	5.5%	5.4%	5.2%	5.4%	n.a.	0.2% pts	n.a.	-0.2%

## Employment by Place of Work

- From February 2004 to February 2005, Michigan wage and salary employment declined 8,000 (0.2 percent). State wage and salary employment increased 10,000 from January. Nationally, February 2005 wage and salary employment rose 2,377,000 (1.8 percent) from a year ago and was up 262,000 from last month.

### Wage and Salary Employment Growth February 2004 to February 2005



Source: Bureau of Labor Statistics, Michigan Department of Labor and Economic Growth

- In the goods producing sector, Michigan employment fell 1.4 percent from a year ago and private service-producing sector employment decreased 0.1 percent compared to last year. From a year ago, February national employment in the goods-producing sector rose 1.7 percent and increased 2.1 percent in the private service-producing sector.
- Manufacturing weekly hours fell in Michigan by 1.3 hours compared to last year.

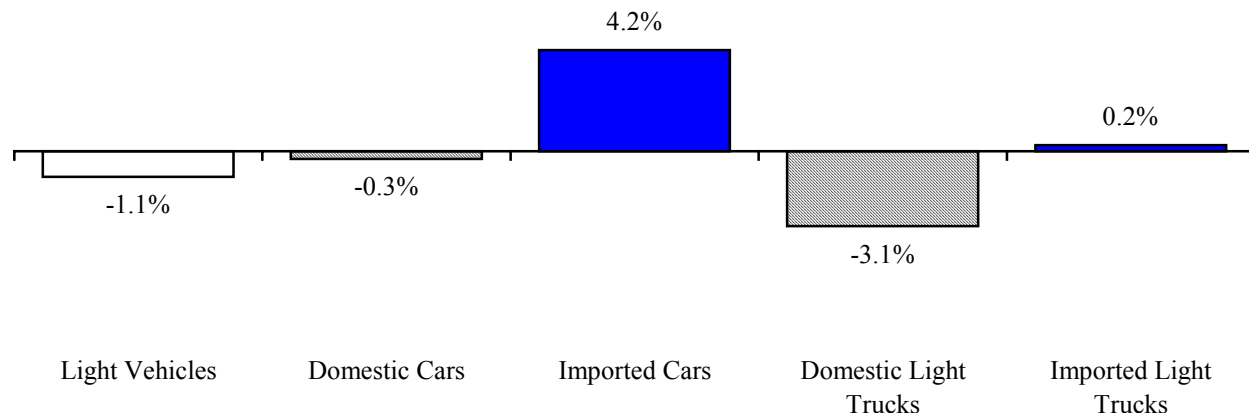
### Establishment Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2004 Average	Feb 2004	Feb 2005	Percent Change	2004 Average	Feb 2004	Feb 2005	Percent Change
Wage & Salary Employment	4,391	4,395	4,387	-0.2%	131,481	130,466	132,843	1.8%
Goods Producing	894	902	889	-1.4%	21,885	21,699	22,060	1.7%
Manufacturing	696	703	690	-1.8%	14,329	14,281	14,344	0.4%
Private Service Producing	2,815	2,812	2,808	-0.1%	87,978	87,216	89,028	2.1%
Trade, Trans. & Utilities	810	812	814	0.2%	25,511	25,367	25,686	1.3%
Services	1,719	1,715	1,710	-0.3%	51,278	50,709	52,063	2.7%
Local, State & Fed. Gov't	682	681	689	1.2%	21,619	21,551	21,755	0.9%
Manufacturing Weekly Hours	42.4	42.9	41.6	-1.3 hrs	40.8	41.0	40.5	-0.5 hrs

## Motor Vehicle Industry Sales

- At a 16.3 million unit annual rate, February 2005 light vehicle sales were up 0.5 percent from January and down 1.3 percent from a year ago.
- Compared to a year ago, domestic sales were down 2.1 percent while foreign sales rose 1.6 percent. Auto sales fell 1.4 percent while light truck sales declined 1.3 percent. Light vehicle inventories rose 0.8 percent while days supply rose by 2 days to 78 days.
- Year to date, domestic light truck sales were down 3.1 percent from a year ago, while import light truck sales rose 0.2 percent. Domestic car sales were down 0.3 percent while import car sales rose 4.2 percent.

### Year to Date Light Vehicle Sales Down Slightly From Year Ago



## Motor Vehicle Sales Statistics

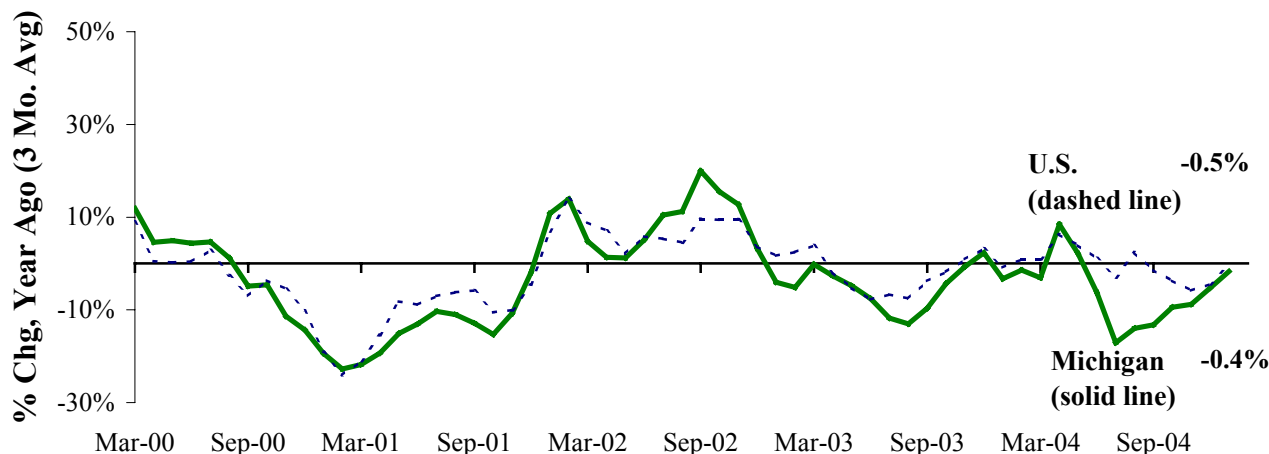
(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2004 Average	Dec 2004	Jan 2005	Feb 2005	3 Month Average	Change from Year Ago	
						Level	%
Autos	7.5	8.3	7.4	7.4	7.7	(0.1)	-1.4%
Domestics	5.3	5.9	5.4	5.3	5.5	(0.1)	-2.4%
Imports	2.2	2.3	2.0	2.1	2.2	0.0	1.2%
Import Share	28.7%	28.3%	27.3%	28.7%	28.1%	0.7% pts	
Light Trucks	9.3	10.1	8.8	8.9	9.2	(0.1)	-1.3%
Domestics	8.1	8.7	7.6	7.6	8.0	(0.1)	-1.9%
Imports	1.2	1.4	1.2	1.2	1.3	0.0	2.1%
Import Share	13.3%	13.5%	13.5%	14.0%	13.7%	0.5% pts	
Total Light Vehicles	16.8	18.3	16.2	16.3	16.9	(0.2)	-1.3%
Heavy Trucks	0.4	0.5	0.5	0.5	0.5	0.1	21.9%
Total Vehicles	17.3	18.9	16.7	16.8	17.4	(0.1)	-0.8%
U.S. Light Vehicle Inventories <sup>(d)</sup>		Dec-04	Jan-05	Feb-05	3 Month	Change	
Total Car	1.502	1.424	1.484	1.530	1.479	-0.109	
Days Supply	62	59	73	64	65	-4 days	
Total Truck	2.411	2.345	2.406	2.523	2.425	0.140	
Days Supply	80	72	101	89	87	6 days	

## Motor Vehicle Industry Production

- At 236,314 units, February 2005 Michigan light vehicle production rose 0.2 percent from a year ago, compared with a 1.7 percent increase nationally.
- Compared with a year ago, state car production fell 6.4 percent while state truck production rose 7.2 percent. Nationally, car production rose 1.8 percent while truck production increased 1.6 percent.
- Production varies substantially from month to month. Therefore, a three-month average may provide a clearer indication of vehicle production patterns. The Michigan three-month average was down 0.4 percent from a year ago, nearly matching the 0.5 percent decline nationally.

### Trend National and Michigan Light Vehicle Production Essentially Flat



### Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2004 Average	Dec 2004	Jan 2005	Feb 2005	3 Month Average	Change from Year Ago for the Month	
						Level	%
<b>U.S. Production <sup>(e)</sup></b>							
Autos	353.8	307.3	346.4	376.4	343.4	6.6	1.8%
Trucks	647.8	578.2	594.5	675.0	615.9	10.6	1.6%
Total	1,001.5	885.5	940.9	1,051.3	959.3	17.2	1.7%
<b>Michigan Production <sup>(f)</sup></b>							
Autos	104.8	96.9	95.4	112.5	101.6	(7.7)	-6.4%
Trucks	111.5	112.9	104.6	123.8	113.8	8.3	7.2%
Total	216.4	209.8	200.0	236.3	215.4	0.6	0.2%
Michigan as % of U.S.	21.6%	23.7%	21.3%	22.5%	22.5%	-0.3% pts	

## February 2005 Unemployment Rates Rose in Twelve Labor Market Areas (Not Seasonally Adjusted)

Compared to a year ago, February 2005 unemployment rates rose in 12 major labor market areas, fell in three areas and were unchanged in the other two areas. The median unemployment rate increase was 0.3 percentage points; the median rate decline was 0.5 percentage points.

Compared to a year ago, the Detroit-Warren-Livonia area reported the largest unemployment rate increase (1.3 percentage points). The Ann Arbor MSA reported the second largest increase (0.6 percentage points) followed by the Lansing-East Lansing MSA (0.5 percentage points). The Jackson MSA and the Muskegon-Norton Shores MSA recorded the largest rate decline (0.5 percentage points).

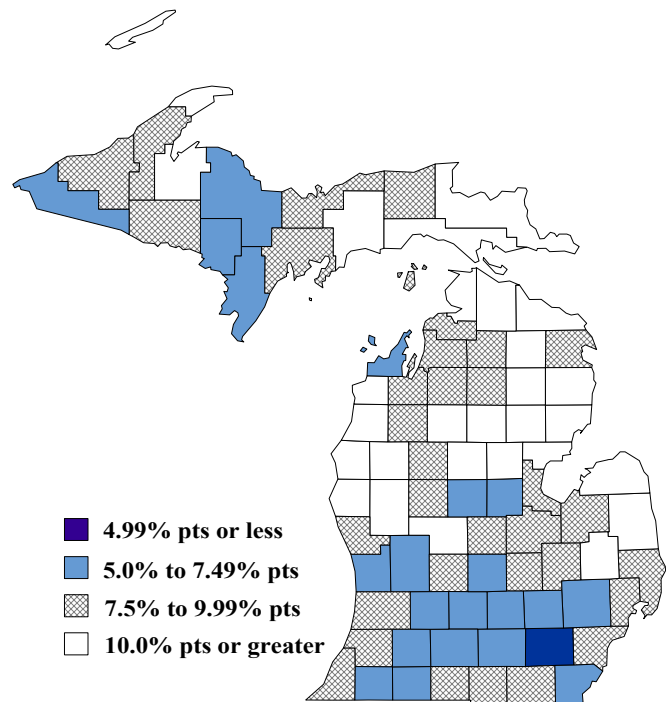
February 2005 unemployment rates ranged between 4.7 percent (Ann Arbor) and 11.9 percent (Northeast Lower Michigan). Compared to January unemployment rates, 12 areas reported lower non-seasonally adjusted unemployment rates. Declines ranged between 0.1 of a percentage point and 0.4 percentage points.

Compared to February 2004, unemployment rates increased in 58 counties, declined in 22 counties and remained the same in 3 counties.

### Local Area Unemployment Rates<sup>(g)</sup>

<u>Local Area</u>	<u>Feb 2004 Rate</u>	<u>Jan 2005 Rate</u>	<u>Feb 2005 Rate</u>
Michigan	7.3%	7.9%	8.0%
Ann Arbor	4.1%	5.0%	4.7%
Battle Creek	7.0%	7.2%	7.0%
Bay City	8.1%	8.8%	8.6%
Detroit-Warren-Livonia	6.9%	7.9%	8.2%
Flint	8.8%	9.1%	8.9%
Grand Rapids-Wyoming	7.5%	7.3%	7.3%
Holland-Grand Haven	6.1%	6.3%	6.3%
Jackson	7.9%	7.7%	7.4%
Kalamazoo-Portage	6.2%	6.7%	6.5%
Lansing-East Lansing	5.9%	6.7%	6.4%
Monroe	6.3%	7.1%	6.7%
Muskegon-Norton Shores	8.5%	8.1%	8.0%
Niles-Benton Harbor	8.3%	8.5%	8.4%
Saginaw-Saginaw Township	9.1%	9.5%	9.3%
Upper Peninsula	8.7%	9.1%	9.0%
Northeast Lower Mich	11.9%	11.8%	11.9%
Northwest Lower Mich.	9.0%	9.3%	9.3%

### Unemployment Rates February 2005



Source: Michigan Department of Labor and Economic Growth

## U.S. Economic Conditions

	<u>Nov-04</u>	<u>Dec-04</u>	<u>Jan-05</u>	<u>Feb-05</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	92.8	97.1	95.5	94.1	-0.3 points
ISM Manufacturing Index <sup>(i)</sup>	57.6	57.3	56.4	55.3	-6.8 points
ISM Non Manufacturing Index <sup>(i)</sup>	61.9	63.9	59.2	59.8	-1.0 point
	<u>2004.1</u>	<u>2004.2</u>	<u>2004.3</u>	<u>2004.4</u>	
Business Executives' Confidence <sup>(i)</sup>	73.0	70.0	63.0	61.0	-5.0 points
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100</b>	<u>Nov-04</u>	<u>Dec-04</u>	<u>Jan-05</u>	<u>Feb-05</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	191.0	190.3	190.7	191.8	3.0%
Detroit CPI	NA	185.3	NA	187.8	2.4%
U.S. Producer Price Index	151.7	150.4	151.5	152.2	4.7%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	2.06%	2.20%	2.32%	2.53%	1.61% points
Aaa Corporate Bonds <sup>(m)</sup>	5.52%	5.47%	5.36%	5.20%	-0.30% points
<b>INDUSTRIAL PRODUCTION <sup>(m)</sup></b>					
	116.9	117.9	117.9	118.2	3.3%
<b>CAPACITY UTILIZATION <sup>(m)</sup></b>					
	78.7%	79.2%	79.2%	79.3%	1.6% points
<b>RETAIL SALES <sup>(n)</sup></b>					
	\$332.4	\$336.6	\$336.8	\$338.4	7.8%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>Nov-04</u>	<u>Dec-04</u>	<u>Jan-05</u>	<u>Feb-05</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(o)</sup>	1.805	2.056	2.189	2.229	17.6%
Existing Home Sales <sup>(p)</sup>	6.980	6.810	6.820	6.820	6.6%
<b>DURABLE GOODS ORDERS <sup>(q)</sup></b>					
	\$199.4	\$202.5	\$200.0	\$199.7	7.1%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(Billions of Dollars)	<u>2004.1</u>	<u>2004.2</u>	<u>2004.3</u>	<u>2004.4</u>	<u>% Change From Year Ago</u>
Michigan	\$315.9	\$320.9	\$324.5	\$331.3	3.0%
U.S.	\$9,445.3	\$9,593.5	\$9,701.2	\$9,948.8	6.7%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 2000 Dollars) <sup>(c)</sup>	<u>2004.1</u>	<u>2004.2</u>	<u>2004.3</u>	<u>2004.4</u>	<u>Annualized % Chg From Last Qtr</u>
	\$10,697.5	\$10,784.7	\$10,891.0	\$10,994.3	3.8%

**SOURCES AND NOTES:**

- (a) Seasonally adjusted. Sources: Bureau of Labor Statistics, U.S. Department of Labor and Michigan Dept. of Labor and Economic Growth, Employment Service Agency.
- (b) Bureau of Labor Statistics, U.S. Department of Labor (BLS 790).
- (c) Seasonally adjusted annual rates. Source: Bureau of Economic Analysis, U.S. Department of Commerce.
- (d) Ward's Automotive Reports.
- (e) Automotive News.
- (f) Michigan Department of Treasury.
- (g) Michigan Department of Labor and Economic Growth, Employment Service Agency.
- (h) University of Michigan Survey of Consumers.
- (i) Institute for Supply Management (ISM), formerly NAPM.
- (j) The Conference Board.
- (k) Bureau of Labor Statistics, U.S. Department of Labor.
- (l) U.S. Department of Treasury. Average of weekly averages.
- (m) Seasonally adjusted rates (except interest rates). Federal Reserve System Board of Governors. 1997 equals 100.
- (n) Retail and Food Services Sales. Bureau of the Census, U.S. Department of Commerce.
- (o) Bureau of the Census, U.S. Department of Commerce.
- (p) National Association of Realtors.
- (q) Bureau of the Census, U.S. Department of Commerce. Figures exclude semi conductors.